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E.C. AND U.S. TO RESOLVE QUESTIONS OVER AIRBUS

The European Community and the United States agreed today on a framework for negotiations aimed at reducing trade tensions over government support of the civil aircraft industry. The United States has raised questions about subsidies provided to Airbus, a four-nation European aircraft consortium.

The E.C. imports annually nearly \$5 billion of aircraft and parts from the U.S., and exports \$3 billion to the U.S. European orders and options for U.S. aircraft are worth \$23 billion, while U.S. orders and options for Airbus are worth \$13 billion.

The text of the October 27 press communiqué follows.

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Representatives of the United States of America and of the European Community and Member States met today in London. The European side was represented by Commissioner Willy DE CLERCQ and by Ministers Martin BANGEMANN (Federal Republic of Germany), Michel NOIR (France), Miguel A. FEITO (Spain) and Kenneth CLARKE (United Kingdom). The United States delegation was led by Ambassador Clayton YEUTTER, United States Trade Representative.

As a result of this meeting, joint principles and objectives for the negotiations were agreed.

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JOINT PRINCIPLES AND OBJECTIVES FOR THE NEGOTIATIONS

1. The purpose of the negotiations is to foster a more favorable environment for civil aircraft trade and to reduce trade tensions in this area. The parties commit themselves to search for mutually satisfactory solutions, in a spirit of mutual understanding. Solutions should promote international competition and facilitate the development of aircraft manufacturing in a fair economic environment.

2. With this in mind, the Ministers have instructed their representatives to:

a. Resolve in full issues concerning article 4 of the Agreement on Trade in Civil Aircraft of the General Agreement on Tariffs and Trade (GATT).*

b. Resolve issues concerning government support, direct or indirect, in the development and production of large civil aircraft, to cover:

i. Effective disciplines on new capital infusions to existing programs and on the terms and conditions under which government support may be provided to future civil aircrafts programs including derivatives from, and major changes to, existing programs. These disciplines should not inhibit eventual efforts for privatization;

ii. The avoidance or elimination of possible adverse or distorting effects to trade of existing programs;

iii. A mutual understanding as to how government-funded military research and development having civil applications shall be recouped;

iv. Improved rules to provide the transparency necessary to ensure that disciplines are respected;

c. Improve existing consultative procedures to which the parties have recourse in the event of disputes.

d. Negotiate with other signatories of the GATT Agreement on Trade in Civil Aircraft to extend the disciplines and integrate them into the GATT as appropriate.

e. Explore ways to ensure that commercial business practices are followed in the carrying out of civil aircraft trade in order to avoid distortion or disruption of the market.

Negotiators will report to Ministers with the details of the agreement they have reached to allow further discussions at the time of the U.S.-E.C. Ministerial meeting, December 11, 1987.

* Government-Directed Procurement, Mandatory Sub-Contracts and Inducements